

Attachment- REVISED 2-6-01
DIVISION OF ADMINISTRATION
POLICY DIRECTIVE
SUBJECT: RETURNED CHECKS

The Commissioner of Administration is legislatively directed to prescribe and cause to be installed and maintained a uniform system of accounting in all state agencies pursuant to LRS 39:78; and further the Commissioner of Administration is legislatively designated as the general accountant of the state pursuant to LRS 39:334.

Each state agency's cash management policy and procedures must include a statement of policy and the procedures for handling uncollected checks returned by the financial institution to the state agency.

State NSF Policy

Whereas, each state agency is obligated to collect amounts due and payable for any obligation, including but not limited to, taxes, fees, charges, licenses, service fees or charges, fines, penalties, interest, sanctions, stamps, surcharges, assessments, obligations and other similar charges or obligations.

Whereas, each state agency determines the acceptable forms of payment of obligations, which forms may include checks,

Whereas, Section 3-104(2)(b) of the Uniform Commercial Code defines a check as "a draft drawn on a bank and payable on demand."

Whereas, checks deposited by state agencies are from time to time returned to the state agency due to 1) the drawer's bank account not having sufficient funds to pay the check or 2) the bank account upon which the check is drawn is closed.

Whereas, it is the goal of the State that all state agencies adopt cash management policy and procedures to:

- 1) collect amounts due and
- 2) if permissible, recover the costs of collection.

Now, therefore, each state agency shall adopt a policy for handling uncollected checks returned by the bank ("returned checks") that includes, but not limited to, the following provisions:

State NSF Policy

1. The agency shall take immediate steps for collection of returned checks. Immediate shall be within 2 business (working) days of receipt of the returned check unless the Commissioner of Administration and the State Treasurer approves a different period of time for the agency.
2. All steps taken for collection of a returned check must be documented for audit review of compliance with the State NSF Policy.
3. Steps for collection shall include at a minimum the following actions:
 - The agency will send a written demand by certified or registered mail to the drawer of the check at the address shown on the instrument or successor address, if known, as provided in LRS 9:2782.
 - If the drawer does not make good the check within fifteen (15) days after receipt of the written demand, the agency shall:
 - revoke the authorization(s) provided with the payment; and
 - if the payment was for a tangible good, the agency shall, turn the collection over to the District Attorney for further action; and
 - send notification to the Department of Revenue and the Department of Public Safety.

STATE NSF POLICY

4. The agency written demand letter shall be substantially in the following form inclusive of the requirements of applicable law:

NOTICE OF DISHONOR OF CHECK

Address of drawer

A check drawn by you and made payable to in the amount of \$..... has not been accepted for payment by, which is the drawee bank designated on your check. This check is dated ...-...-..., and its numbered, No.

You are cautioned that unless you pay the amount of this check within fifteen days after the date this letter is postmarked, you may very well have to pay the following additional amounts:

- 1) The costs of collecting the check, including attorney's fees and court costs which will be set by the court;
- 2) A service charge not to exceed twenty-five dollars or five percent of the face amount of the check, whichever is greater;

You are also CAUTIONED that law enforcement agency may be provided with a copy of this notice of dishonor and the checks drawn by you for the possibility of proceeding with criminal charges if you do not pay the amount of this check within fifteen days after the date this letter is postmarked.

You are advised to make your payment to at the following address

Signed

Agency Legal Department

5. The agency procedures should include steps to not accept further checks from the drawer while the returned check is in the collection process.